



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR JULY/AUGUST 2017

DATE: October 12, 2017

Approved

Date

10/12/17

RECOMMENDATION

Accept the Bi-Monthly Financial Report on actual revenues and expenditures as compared to the 2017-2018 Budget for the two months ending August 2017.

OVERVIEW

The Bi-Monthly Financial Report for July/August 2017 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the Public Safety, Finance and Strategic Support Committee's review. The City Manager's Budget Office has analyzed actual expenditures as compared to the 2017-2018 Modified Budget and the Finance Department has prepared a report that reflects the financial results for the two months ending August 2017.

Through the first two months of the fiscal year, revenues and expenditures were generally tracking within the budgeted estimates in the majority of the City funds. The Administration will continue to closely monitor economic conditions and the performance in all City funds, bringing forward budget adjustments to the City Council during the year if necessary. Following are key highlights in this report:

- While it is very early in the fiscal year, and there is minimal data, overall revenues appear to be tracking within estimated levels in the General Fund.
- Expenditures tracked slightly above estimated levels through August. While not reflected in this report, the personal services expenditures for the majority of departments are now tracking within estimated levels through September. Expenditures will be controlled and monitored to ensure appropriations stay within approved levels.

OVERVIEW (CONT'D.)

Development-related revenues in the General Fund through August 2017 have generally declined from the same time period in the prior fiscal year (with the exception of Planning Fees that have grown, but are still performing lower than anticipated). Collections are expected to improve in the upcoming months due to the implementation of the City Council-approved fee increases that went into effect on August 14, 2017.

- Construction and Conveyance Tax collections remain strong and are on track to meet or exceed the budgeted estimate at this early point in the year. However, Building and Structure Construction Tax and Construction Excise Tax receipts are not performing at anticipated levels and will need to continue to be closely monitored.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 2.3 million passengers, an increase of 17.8% from the figures reported through August of the prior year. This follows annual growth of 6.9% in 2015-2016 and 12.7% in 2016-2017.
- In Silicon Valley, general economic conditions remain positive, but some of the economic indicators are starting to moderate or decline from the strong levels experienced in recent years. The Administration will closely monitor the City’s economically sensitive revenues to identify any changes in collection trends as appropriate.
- The Administration will continue to report to the City Council all significant developments through future Bi-Monthly Financial Reports and the 2017-2018 Mid-Year Budget Review.

Economic Environment

The local economic indicators remain positive but some categories are starting to level off or decline from the extremely strong growth levels experienced in recent years. Private development activity is also down from the extremely high levels experienced in 2016-2017.

The August 2017 employment level in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) of 1.09 million was 1% above the August 2016 level of 1.08 million.



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OVERVIEW (CONT'D.)

The unemployment rates at the local and State levels have leveled out with only minor movement over the last year. However, national levels continue to slightly drop. In August 2017, the unemployment rate for the San José Metropolitan Statistical Area of 3.9% represents a slight increase from the July 2017 level (3.8%), but a slight decrease from the August 2016 rate (4.0%). In this region, the August 2017 unemployment rate is less than the unadjusted unemployment rate for the State (5.4%) and the nation (4.5%).

Unemployment Rate (Unadjusted)			
	Aug. 2016	Jul. 2017	Aug. 2017**
San Jose Metropolitan Statistical Area*	4.0%	3.8%	3.9%
State of California	5.6%	5.4%	5.4%
United States	5.0%	4.6%	4.5%

* San Benito and Santa Clara Counties
Source: California Employment Development Department.
** August 2017 estimates are preliminary and may be updated.

Overall construction activity through August 2017 for all land use categories has decreased 44.1% from 2016-2017 levels. A drop in activity was anticipated during development of the 2017-2018 budget as building permit valuations for 2016-2017 were trending to reach record levels, and this level of activity was not anticipated to be sustainable in 2017-2018. Residential permit activity is tracking below the prior year levels and is primarily driven by less new construction (253 new dwelling units in 2017-2018 vs. 288 in 2016-2017). Valuation for new residential construction is also lower (\$67.7 million in 2017-2018 vs. \$122.7 million in 2016-2017), and valuation for alteration activity is slightly lower than the prior year (\$20.3 million in 2017-2018 vs. \$20.4 million in 2016-2017). The 253 residential units through August 2017 included 220 multi-family units and 33 single family units. Major residential projects for July and August 2017 included a permit issued for a 105-unit apartment building over Podium Garage, near the intersection of South First Street and East Reed Street and five permits issued for a total of 35 condominiums that are part of a Planned Development permit allowing up to 162 attached single-family units, which is located near the San José Flea Market.

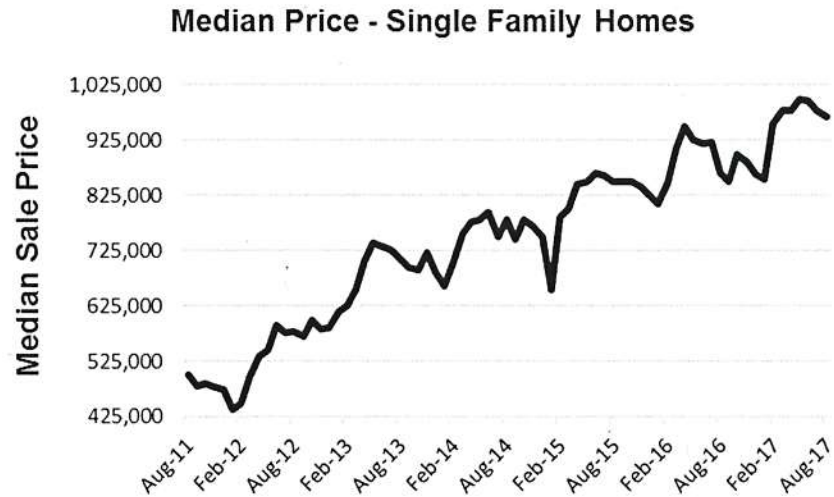
Overall commercial valuation through August 2017 is significantly below the 2016-2017 level (\$90.1 million in 2017-2018 vs \$158.9 million in 2016-2017). Both new commercial construction and alteration activity are down compared to prior year levels.

Industrial construction valuation through August is also lower than the 2016-2017 level (\$58.0 million in 2017-2018 vs. \$120.5 million in 2016-2017). Both new industrial construction and alteration activity are down compared to prior year levels.

Private Sector Construction Activity (Valuation in \$ Millions)			
	YTD August 2016	YTD August 2017	% Increase
Residential	\$ 143.1	\$ 88.0	(38.5%)
Commercial	\$ 158.9	\$ 90.1	(43.3%)
Industrial	\$ 120.5	\$ 58.0	(51.9%)
TOTAL	\$ 422.5	\$ 236.1	(44.1%)

OVERVIEW (CONT'D.)

The local real estate market continues to experience growth in home prices and activity levels compared to prior year levels. The number of property transfers (sales) in August 2017 totaled 781, which represents a 7.3% increase from the 728 transfers that occurred in August 2016. In addition, the median single-family home price in August 2017 of \$967,000 is up 11.8% from



the August 2016 price of \$865,000. It is also taking less time to sell these homes, with the average days-on-market for single-family and multi-family dwellings in August 2017 totaling 19 days, a 25.5% drop from the 26 days experienced in August 2016. Also of interest is the continued tightening of inventory available in the housing market. The number of new listings in the current fiscal year totaled 1,513, which is 15.0% below the 1,780 new listings recorded in the prior fiscal year.

On a national level, consumer confidence marginally improved in August, but decreased slightly in September. Lynn Franco, Director of The Conference Board Consumer Research Center, stated “Despite the slight downtick in confidence, consumers’ assessment of current conditions remains quite favorable and their expectations for the short-term suggest the economy will continue expanding at its current pace.”

Economic conditions will continue to be closely monitored and will be factored into the assessment of the City’s performance in 2017-2018 as well as the development of the 2019-2023 General Fund Forecast that will be released in February 2018.

GENERAL FUND

REVENUES

General Fund revenues through August 2017 totaled \$211.6 million, which represents an increase of \$55.4 million (35.5%) from the August 2016 level of \$156.2 million. This increase in revenue is primarily the result of borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANS), which totaled \$100.0 million in 2016-2017 and increased to \$150.0 million in 2017-2018. TRANS is issued for cash flow purposes each fiscal year.

A few categories are currently tracking below the prior year level, including Transient Occupancy Tax, Utility Taxes, Telephone Line Tax, and Fees, Rates, and Charges. The lower collections in these categories are offset by higher collections in the majority of categories, including Sales Tax, Licenses and Permits, Business Taxes, Use of Money and Property, Revenue from the State, Other Revenue, and Transfers and Reimbursements. These higher collections were primarily due to timing of payments as well as growth in these budgeted line items.

Though it is early in the fiscal year, General Fund revenues are generally tracking to meet or exceed budgeted estimates. The following discussion highlights General Fund revenue activities through August.

KEY GENERAL FUND REVENUES

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 288,990,000	\$ 773,457	\$ 575,665

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale), and Homeowners Property Tax Relief. Through August, \$773,000 has been received, reflecting only 0.3% of the 2017-2018 budget for this category. Based on early information received from the County, revenues are anticipated to meet the budget by year-end.

- **Secured Property Taxes** represent over 90% of the revenue in the Property Tax category. As anticipated, no Secured Property Tax receipts have been received through August due to the scheduled timing of these payments. For 2017-2018, the Adopted Budget estimate of \$265.8 million was based on assumed growth of 5.3% from the 2016-2017 estimated collection level. The 2017-2018 estimate includes \$261.8 million from regular Property Tax receipts and \$4.0 million from the distribution of excess Education Revenue Augmentation Fund (ERAF) funds. The very preliminary estimate from the County of Santa Clara of \$267.1 million is above the 2017-2018 Adopted Budget estimate by approximately \$1.3 million based on a higher projected ERAF payment (\$2.9 million), partially offset by lower projected regular Secured Property receipts (-\$1.6 million).

GENERAL FUND (CONT'D.)

The Adopted Budget assumed \$4.0 million from 2016-2017 excess ERAF funds, which is slightly below the 2016-2017 actual collection level of \$4.4 million. Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder is to be returned to the taxing entities that contributed to it. In August, the County provided preliminary information that a payment of approximately \$6.9 million may be received in March. The Administration will continue to monitor the distribution of ERAF receipts and may adjust the budget once further information is provided by the County.

- In the **Unsecured Property Tax** category, the largest payment is received in October of each year. The revenue received through August (\$350,000) accounts for the final reconciliation of the 2016-2017 fiscal year. The 2017-2018 Adopted Budget revenue estimate of \$13.8 million requires growth of approximately 5% from actual 2016-2017 collection levels of \$13.1 million. The preliminary estimate from the County of Santa Clara for 2016-2017 of \$13.5 million slightly falls below the budget estimate by approximately \$300,000.
- For the **SB 813 Property Tax** category, collections totaled \$463,000 through August, while \$505,000 had been received last year at this time. The 2017-2018 Adopted Budget estimate of \$5.5 million is well below the 2016-2017 actual collection level of \$6.8 million as collections in this category ended 2016-2017 stronger than anticipated. However, the preliminary 2016-2017 estimate from the County for this category of \$4.8 million is \$700,000 below the budgeted estimate.
- **Aircraft Property Tax** receipts are typically received in October of each year. The current 2017-2018 Adopted Budget estimate of \$2.89 million is slightly above the 2016-2017 receipts of \$2.84 million. The current County of Santa Clara Assessor's Office estimate of \$2.89 million is consistent with budgeted levels.
- In the **Homeowners Property Tax Relief** category, revenues in 2017-2018 are expected to be at the budgeted estimate of \$1.0 million, which is consistent with the 2016-2017 collection level.

GENERAL FUND (CONT'D.)

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 228,000,000	(\$ 855,060)	(\$ 4,445,726)

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. When the 2017-2018 Adopted Budget was developed, it was projected that Sales Tax receipts would increase 7.6% from the 2016-2017 estimate of \$211.9 million to \$228.0 million, reflecting anticipated economic growth of 3% and the annualization of the Local Sales Tax. However, because 2016-2017 actual receipts of \$207.7 million ended the year \$4.2 million, or 2.0%, below estimated levels, additional growth would be necessary in 2017-2018 to meet the budgeted estimate. To account for the lower performance in 2016-2017, a downward adjustment of \$4.0 million to the Sales Tax revenue estimate is recommended in the 2016-2017 Annual Report actions. Following is a discussion of the three Sales Tax components.

- **General Sales Tax** receipts through August reflect a negative amount of \$855,000 due to the 2016-2017 year-end accrual to account for the last quarter of 2016-2017. Information on the first quarter collections for this fiscal year will not be received until December.

In 2016-2017, General Sales Tax collections of \$174.7 million reflected a \$21.3 million (10.9%) decline from the 2015-2016 collection level of \$196.0 million. This decline was due to lower actual quarterly Sales Tax receipts as well as the impact of one-time adjustments from the prior year. In 2015-2016, one-time funding of \$12.0 million was received due to wind down of “triple flip”.

When the 2017-2018 Adopted Budget was developed, the General Sales Tax estimate of \$187.0 million reflected growth of 3.9% from the 2016-2017 estimate of \$180.0 million. This reflected underlying quarterly growth of 3.0% as well as net upward adjustments of \$1.5 million to account for prior year accrual adjustments and to reverse a large one-time negative adjustment associated with the jet fuel correction that occurred in 2016-2017. However, because General Sales Tax ended the year below estimated levels, a \$4.0 million reduction (from \$187.0 million to \$183.0 million) is recommended in the 2016-2017 Annual Report. The modified estimate reflects approximately 3% underlying growth from the 2016-2017 actual collection level with one-time adjustments to account for the additional revenue recognized in 2017-2018 from the under-accrual of revenue in 2016-2017 and to reverse the large one-time correction in 2016-2017.

GENERAL FUND (CONT'D.)

- Starting in 2016-2017, the Sales Tax category includes **Local Sales Tax**. In June 2016, San José voters approved a ¼ cent local sales tax that was estimated to generate \$30.0 million in 2016-2017 (October 2016 implementation) and \$40.0 million annually beginning 2017-2018. However, based on the lower than anticipated performance during the first two quarters of 2016-2017, the 2016-2017 revenue estimate was lowered from \$30.0 million to \$26.0 million. Actual collections ended 2016-2017 at \$26.5 million, which reflected actual performance for the first two quarters (\$8.7 million and \$8.9 million) and estimated receipts of \$8.9 million for the final quarter. Actual Local Sales Tax results for the final quarter have subsequently become available and totaled \$10.2 million. Because this amount is above the \$8.9 million assumed in the 2016-2017 accrual, the additional revenue generated from this difference will be reflected in 2017-2018 (\$1.3 million). While detailed information is not yet available on the performance for the most recent quarter, the Administration will be working with the City's Sales Tax consultant, MuniServices to understand the drivers for the higher collection level and the potential impact on the 2017-2018 revenue estimate. If the 2016-2017 collection trends continue, an upward adjustment to this revenue category may be possible during 2017-2018. While collections have averaged \$9.3 million per quarter based on the strong performance in the most recent quarter, the 2017-2018 estimate of \$35.0 million requires average quarterly collections of \$8.75 million.
- Through August, the **Proposition 172 Sales Tax** receipts of \$75,000 were tracking 86.7% below 2016-2017 collections of \$564,000 through the same period, which is due to differences in the timing of payments. The 2017-2018 budgeted estimate of \$6.0 million allows for a 7.7% decrease from the prior year collection level of \$6.5 million. It is currently anticipated that collections will meet the budgeted estimate by year-end.

GENERAL FUND (CONT'D.)

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 18,720,000	\$ 1,378,872	\$ 1,980,197

Through August 2017, Transient Occupancy Tax (TOT) collections recorded in the General Fund of \$1.38 million are 30.4% (\$601,000) below the prior year's collections of \$1.98 million for the same period, which is primarily due to differences in accruals and the timing of payments. Receipts to-date total 7.4% of the 2017-2018 Adopted Budget revenue estimate of \$18.7 million. When the 2017-2018 Adopted Budget was developed, TOT receipts were anticipated to end 2016-2017 at \$18.0 million and grow 4% to \$18.7 in 2017-2018. However, since 2016-2017 actual receipts came in above estimated levels at \$18.2 million, growth of only 2.4% is needed to meet the 2017-2018 estimate. Based on the limited collection data available and after factoring out the timing differences in payments, it is currently anticipated collections will end the year within budgeted levels.

Through August, the average hotel occupancy rate at the 13 major hotels was 79.75%, which is down from the 80.58% occupancy rate for the same period in 2016-2017. For the same 13 hotels, the average daily room rate through August was \$197.62, up slightly \$0.78 (0.4%) from the \$196.83 room rate for the same period in 2016-2017. The year-to-date average revenue-per-available room (RevPAR) metric of \$157.65 represents a decrease of 0.6% from the prior year level.

GENERAL FUND (CONT'D.)

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 101,320,000	\$ 8,446,755	\$ 9,002,004

Through August, Utility Tax receipts of \$8.4 million were tracking 6.2% (\$555,000) below last year's collection level of \$9.0 million due primarily to lower collections in the Telephone Utility Tax category. The majority of this variance, however, was due to differences in prior year accruals and timing of payments. The 2017-2018 budgeted estimate of \$101.3 million requires an increase of less than 1% from the prior year collection level of \$100.8 million. It should be noted that Utility Tax receipts reflect a one-month lag, therefore, data for only one month of activity in 2017-2018 is available at this time. It is anticipated that revenue will end at budgeted levels by year-end.

- In the **Electric Utility Tax** category, collections of \$4.5 million are slightly above (\$129,000) prior year levels. The 2017-2018 Adopted Budget estimate of \$46.8 million requires growth of 1.8% from the actual 2016-2017 collection levels of \$46.0 million, and it is currently anticipated that year-end actuals will meet budgeted levels.
- In the **Gas Utility Tax** category, receipts of \$481,000 were \$61,000 (14.4%) above the prior year level of \$421,000 through August. The variance reflects a difference in timing of payments and year-end accruals. The 2017-2018 Adopted Budget estimate of \$10.1 million assumed a 3% increase from the 2016-2017 estimate of \$9.8 million. However, revenues in 2016-2017 ended the year at \$11.1 million, therefore the 2017-2018 estimate allows for a 9.4% drop from the prior year collections. Revenue in the Gas Utility Tax area are subject to significant fluctuations from the impact of weather conditions and/or rate changes; therefore, collections in the next several months will provide a much better indicator of receipts since approximately two-thirds of the revenue in this category is typically collected in the second half of the year.
- Collections of \$1.34 million in the **Water Utility Tax** category were \$65,000 (5.0%) above the prior year level of \$1.28 million. The 2017-2018 Adopted Budget estimate of \$14.85 million requires growth of only 0.5% from the actual 2016-2017 receipts of \$14.78 million, and it is currently anticipated that year-end actuals will meet or exceed budgeted levels.
- Collections in the **Telephone Utility Tax** category of \$2.2 million were tracking \$810,000 (27.6%) below the prior year collection level of \$2.9 million due primarily to timing differences in payments. After factoring out those differences, receipts through August tracked 6.3% below the prior year, reflecting a decline in the cellular category. This drop reflects the competition between cellular carriers and the move from some cellular customers to VOIP and pre-paid cellular services which are less expensive. The 2017-2018 Adopted Budget estimate of \$29.6 million requires growth of 2.4% from the actual 2016-2017 collection levels of \$28.9 million, and it is currently anticipated that year-end actuals may fall slightly below the budgeted estimate.

GENERAL FUND (CONT'D.)

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 63,300,000	\$ 9,595,786	\$ 6,895,784

The Business Taxes category consists of the General Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through August, overall collections of \$9.6 million are 39.2% (\$2.7 million) above the prior year collection levels of \$6.9 million, reflecting higher collections in Marijuana Business Tax and General Business Tax categories, partially offset by lower receipts in the Disposal Facility Tax category. The 2017-2018 Adopted Budget estimate of \$63.3 million requires growth of almost 17% from the actual 2016-2017 collection levels of \$54.2 million. The growth in revenue in 2017-2018 is anticipated due to the modernization of the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017.

- **Cardroom Tax** receipts of \$1.6 million through August are consistent with the prior year levels. Because receipts in 2016-2017 slightly exceeded expectations, collections in the category can drop by 1% in 2017-2018 and reach the budgeted estimate of \$18.3 million.
- **Marijuana Business Tax** receipts of \$1.1 million are \$356,000, or 47.8% above prior year levels of \$744,000. The 2017-2018 Adopted Budget estimate was built on the assumption that 2016-2017 collections would total \$9.4 million and remain relatively flat in 2017-2018. However, actual collections in 2016-2017 totaled \$10.5 million, therefore the 2017-2018 budget estimate of \$9.4 million allows for a 10.7% drop from 2016-2017 actual receipts. Based on prior year collection trends and activity for the first two months, current year revenues are anticipated to exceed the budgeted estimate.
- **General Business Tax** receipts of \$6.6 million are \$2.9 million, or 80.9% above prior year levels of \$3.6 million. The 2017-2018 Adopted Budget estimate of \$23.7 million reflects an increase of 81.3% from the 2016-2017 actual collection level of \$13.0 million. The growth in revenue in 2017-2018 is anticipated due to the modernization of the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017. The adjustments to the business tax include increasing the base tax, increasing the incremental tax and making it more progressive, increasing the cap (the maximum amount of the tax affecting large businesses), updating the application of the tax to more classes of business, and adding inflation based adjustments for future tax rates. Revenues are currently anticipated to meet the budgeted estimate of \$23.7 million.
- **Disposal Facility Tax** revenue of \$388,000 are tracking \$586,000 (60.1%) below the prior year level of \$974,000 due to the timing and recording of receipts. Actual landfill activity through August totaled \$1.98 million, which represents a slight decline from the prior year actuals of \$2.02 million. The 2017-2018 Adopted Budget estimate of \$12.0 million allows for a 1.3% drop from the 2016-2017 actual receipts of \$12.2 million. Revenue are currently tracking to fall slightly below the 2017-2018 Adopted Budget estimate of \$12.0 million.

GENERAL FUND (CONT'D.)

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 59,778,354	\$ 12,107,730	\$ 10,269,855

The Licenses and Permits category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through August, Licenses and Permits revenue of \$12.1 million is \$1.8 million (17.9%) above the prior year level of \$10.3 million, however, both Development Fee Program categories (Building and Fire) are tracking below prior year receipts. The 2017-2018 Adopted Budget estimate, of \$59.8 million requires growth of 1.3% from the 2016-2017 actual collection level (\$59.0 million). Following is a discussion of the major components of the Licenses and Permits category.

- Building Permit** revenues of \$5.3 million through August are tracking 13.2% below the 2016-2017 collection level of \$6.1 million for the same period. To meet the 2017-2018 Adopted Budget estimate of \$32.5 million, an increase of 1.2% is needed from prior year actual revenue collections (\$32.1 million) in this category. The Building Permit categories that are tracking below expected levels include building, plumbing, mechanical, and electrical permits for new residential construction and processing fees. Activity levels for all categories of building use (residential, commercial, and industrial) are lower than the same period last year, with the exception of non-residential plumbing permits, non-residential mechanical permits, and permit processing fees. The 2017-2018 budgeted estimate incorporated fee increases that were projected to increase overall revenues by approximately 14%. These rate increases, however, were not implemented until August 14, 2017, which has impacted receipts to date. Collections in upcoming months will reflect the adjusted fees and will result in increased receipts.

Residential activity through August 2017 consisted of 220 multi-family units and 33 single-family units for a total of 253 units. Major residential projects for July and August included a permit issued for 105-unit apartment building over the Podium Garage near the intersection of South First Street and East Reed Street and five permits issued for a total of 35 condominiums that are part of a Planned Development permit allowing up to 162 attached, single-family units located near the San Jose Flea Market. Commercial activity through August amounted to a valuation of \$90.1 million (new construction valuation of \$53.0 million and alterations of \$37.1 million). Significant new commercial projects for July and August include a permit issued for foundation only for a four-story, 81-room hotel on Monterrey Road between Old Tully Road and Umbarger Road and foundation only and balance of construction permits pulled for a four story, 261 room hotel north of Highway 237 off Great America Parkway. Industrial activity through August had a valuation of \$58.0 million (new construction valuation of \$25.7 million and alterations of \$32.3 million). A notable project through August was a permit that was issued in July for construction of a new car dealership totaling 279,485 square feet on Capital Expressway, west of Highway 87.

GENERAL FUND (CONT'D.)

- Through August, **Fire Permit** collections of \$3.51 million are tracking 1.6% below the 2016-2017 collection level of \$3.57 million for the same period. The 2017-2018 Adopted Budget estimate of \$13.5 million requires a 6.6% increase over the 2016-2017 actual collection levels. Through August, Fire Permit revenues are tracking below the Adopted Budget estimate by approximately \$1.0 million, or 7.4%. This category consists of development and non-development related permits.

Development related receipts of \$1.18 million through August are tracking 20.3% below 2016-2017 collection levels of \$1.48 million for the same period. The budgeted estimate of \$8.6 million aligns with the prior year's collections of \$8.6 million. If current collection trends continue, it is anticipated that development-related receipts will fall short of the budgeted estimate at year-end by approximately \$1.5 million. However, the current collections do not fully reflect the rate increases that were implemented on August 14, 2017. As with the Building Permits, collections are expected to improve in the upcoming months as these rate increases are incorporated.

Non-development revenues of \$2.3 million primarily represent two of four major billing cycles for non-development fire permits for this fiscal year and have exceed the budgeted estimate of \$2.2 million by approximately \$209,000. It is currently anticipated non-development revenues will end the year within the budgeted estimate of \$4.9 million.

- The **Other Licenses and Permits** collections of \$3.3 million are tracking well above the 2016-2017 collection level of \$640,000 primarily due to the timing of payments. The Cardroom Administration and Table Fees (\$2.0 million) and a portion of the Marijuana Collective Annual Operative Fees (\$597,000) were received through August; however, these payments were not received in the prior fiscal year until January and September respectively. The 2017-2018 Adopted Budget estimate requires growth of almost 4% from the prior year actual collections. The largest revenue generator in this category (Multiple Housing Program has not yet been received.

GENERAL FUND (CONT'D.)

Revenue	2017-2018 Estimate	YTD Actual	Prior YTD Collections
Fees, Rates, and Charges	\$ 48,498,645	\$ 8,042,731	\$ 9,683,091

Through August, revenues of \$8.0 million were tracking 16.9% below the 2016-2017 collection level of \$9.7 million. The 2017-2018 Adopted Budget estimate of \$48.5 million requires growth of over 8% from the prior year actual receipts of \$44.9 million. The budgeted increase reflects City Council-approved fee changes for the Development Fee Programs, as well as slight growth in all other Departmental Charges categories. If current collection trends continue, revenues may fall below the budgeted estimate by year-end. However, rate increases implemented in August 14, 2017 are expected to improve collections in upcoming months.

Development-related revenues are currently tracking below anticipated levels primarily because the rate increases approved for 2017-2018 were not implemented until August 14, 2017.

- Through August, **Planning Fee** revenues of \$934,000 were 19.4% above the prior year collection level of \$782,000. However, to meet the 2017-2018 Adopted Budget estimate of \$7.7 million, an increase of 73.8% is needed from prior year actual revenue of \$4.4 million. The significant increase in revenue was anticipated in 2017-2018 due to City Council-approved fee changes. These changes were implemented on August 14, 2017 and are not fully reflected in the year-to-date receipts. With these rate increases now implemented, collections are expected to improve in upcoming months. Through August, performance was strong for sale of publications, public noticing, non-residential general plan amendments, residential conventional rezonings/rezonings, residential and non-residential environmental clearances, residential and non-residential site development permits, non-residential planned development permits, non-residential conditional use permits, single-family design review, and miscellaneous permits. Lower than estimated revenues were received for the following permits: preliminary reviews; non-residential tentative maps; public information services, non-residential conventional rezonings/rezonings; residential and non-residential rezonings/rezonings, residential; non-residential development permit adjustments; and residential and non-residential development permit adjustments.
- **Public Works Fee** revenues through August of \$1.5 million are 21.1% below the prior year level of \$1.9 million for the same period. However, the 2017-2018 Adopted revenue estimate of \$11.6 million requires growth of 6.2% from 2016-2017 actual collection levels of \$10.9 million. The revenue collections are comprised of \$740,000 from the Development Services Fee Program and \$781,000 from the Utility Fee Program. Revenues in engineering residential and non-residential are tracking below estimated levels due to lower activity levels. However, these are offset by a higher than estimated collections in the utility excavation category. As with the other development fee programs, Council approved rate increases were not implemented until August 14, 2017, which has impacted year-to-date receipts. In addition, several large projects are anticipated this fiscal year that are expected to bring collections to the budgeted estimate.

GENERAL FUND (CONT'D.)

EXPENDITURES

Through August, General Fund expenditures (without encumbrances) of \$155.2 million were 5.9% above the prior year level of \$146.6 million. Encumbrances of \$65.8 million were 7.9% above the prior year level of \$61.0 million. Total General Fund expenditures and encumbrances through August of \$221.0 million constitute 13.5% of the total 2017-2018 Modified Budget (\$1.5 billion, including reserves; \$1.3 billion, or 14.9%, excluding reserves). Overall, expenditures are tracking slightly above estimated levels through August.

Through August, a number of departments were tracking slightly above the budgeted estimate in personal services expenditures, including the Office of Economic Development, as well as the Fire, Public Works, Parks, Recreation and Neighborhood Services, and Environmental Services Departments. While not reflected in this report, the personal services expenditures for the majority of these departments are now tracking within estimated levels through September. Expenditures will be controlled and monitored to ensure appropriations stay within approved levels.

Following is a discussion of the performance of the Police and Fire Departments, the largest General Fund departments.

KEY GENERAL FUND EXPENDITURES

<u>Department</u>	<u>2017-2018 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Police	\$ 383,687,701	\$ 48,359,061	\$ 46,241,130

Overall, the Police Department's expenditures are tracking within estimated levels through August. Personal services expenditures of \$41.8 million tracked at anticipated levels (11.8% compared to the par of 11.9%). Overtime expenditures of \$5.1 million tracked higher than anticipated levels with 16.8% expended of the \$30.3 million budget, which was increased from \$17.3 million at Annual Report, to be approved by City Council on October 17, 2017.

Based on current overtime trends, and taking into account several academies that will occur this fiscal year, the personal services expenditures are currently projected to slightly exceed the budget by year-end. The Police Department is closely analyzing the overtime usage and will be implementing appropriate cost control measures to address the potential overage.

Overtime consists of overtime expenditures and compensatory time. The Memorandum of Agreement with the Police Officer's Association (POA) limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of August 2017 was 247,974 hours for sworn personnel. This represents an increase of 24,060 hours or 10.7% compared to the August 2016 balance of 223,914. The Police Department released an internal

GENERAL FUND (CONT'D.)

memorandum reporting on the high level of compensatory time and has directed sworn staff to decrease their balances to 240 hours or less by December 31, 2017, as required by the Memorandum of Agreement with the POA. As sworn vacancies are filled, overtime hours that are used to backfill vacancies will decrease, which is anticipated to reduce the projected year-end Personal Services overage.

The chart below outlines current authorized sworn staffing levels and the number of street-ready sworn positions available at work:

	2017-2018 (as of 08/31/2017)
Authorized Sworn Staffing	1,109
Vacancies	(137)
Filled Sworn Staffing	972
Field Training Officer/Recruits	(107)
Street-Ready Sworn Positions Available	865
Disability/Modified Duty/Other Leaves	(75)
Street-Ready Sworn Positions Working	790

In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department will conduct three Police Recruit Academies in 2017-2018, including academies that will begin October 2017, February 2018, and June 2018. The October 2017 Academy is expected to start with 56 recruits and the February and June 2018 Academies are anticipated to have 60 recruits each.

A total of \$6.5 million (23.5%) of the Department's Non-Personal/Equipment budget was expended or encumbered through August. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle operation and replacement, the Department has approximately \$11.5 million, or 68.5% of the non-centrally-determined appropriation available for the remainder of the fiscal year.

Department	2017-2018 Budget	YTD Actual	Prior YTD Actual
Fire	\$ 220,314,249	\$ 28,129,444	\$ 27,334,456

Overall, Fire Department expenditures are tracking higher than estimated levels. Through August, Personal Services expenditures of \$25.3 million are tracking at 12.1%, which is slightly above the par level of 11.9%. The Fire Department's Non-Personal/Equipment budget of \$9.1 million was 27.5% expended or encumbered through August 2017, but is expected to end the year within budgeted levels.

GENERAL FUND (CONT'D.)

Personal Services expenditure levels are tracking higher than estimated levels due to higher overtime usage. Overtime was higher than usual due to utilization of resources during the peak of fire season. Strike Team and California Task Force 3 deployments for events such as Southern California's La Tuna Fire, Hurricane Harvey, and Hurricane Irma also contributed to the higher than usual overtime. Through August, overtime expenditures of \$2.6 million are tracking at 26.7% compared to the prior year overtime expenditures of \$2.1 million (22.6%) through the same period. Reimbursements for expenditures incurred for Strike Team and California Task Force 3 deployments will be brought forward as part of the 2017-2018 Mid-Year Budget Review process. The Fire Department's Personal Services appropriation will continue to be carefully monitored to ensure overall expenditures remain within approved levels.

Overall, the average vacancy rate of 5.8% is about 2.0% higher than the vacancy rate at this time last year; furthermore, vacancies continue to exceed the budgeted rate of 2.8%. The 2017-2018 Firefighter Recruit Academy, consisting of 25 Firefighter Recruits, starts on November 6, 2017. This Academy is expected to be completed by the end of March 2018, reducing the number of vacancies of sworn staff from 47 to 22, bringing the projected vacancy rate 3.1%.

In accordance with the City Council's approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of August, of the 32 current authorized staffing level, the Fire Department had 32 sworn personnel on administrative assignments.

CONTINGENCY RESERVE

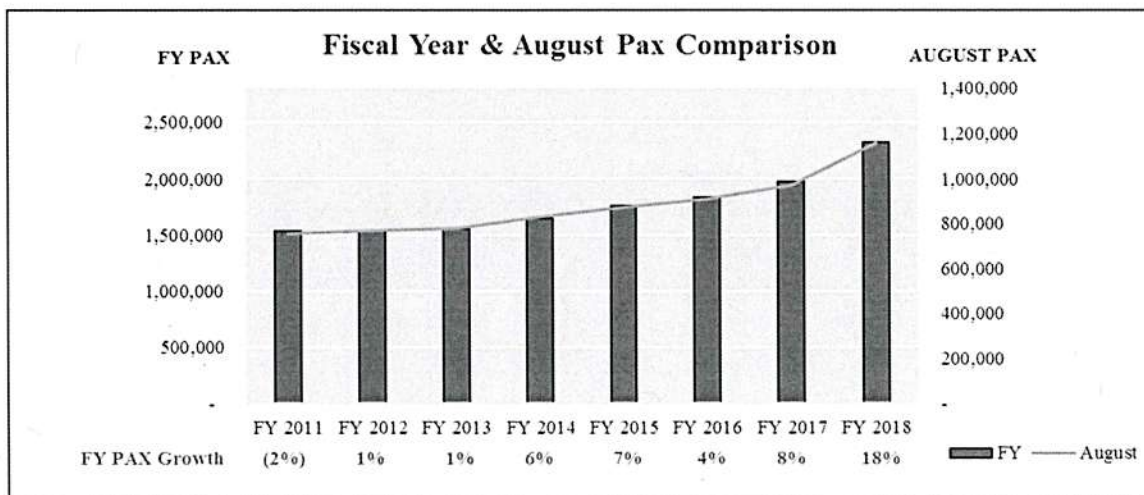
The General Fund Contingency Reserve remained at \$36.0 million through August, with no revisions through the first two months of the fiscal year. However, the 2017-2018 Annual Report, which will be brought forth for City Council consideration on October 17, 2017, includes a recommendation to increase the Contingency Reserve by \$500,000, to \$36.5 million. This reserve level complies with Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, that requires the Contingency Reserve to be at a minimum of 3% of the operating budget.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 2.3 million passengers, an increase of 17.8% from the figures reported through August of the prior year and compare to budgeted growth of 3%. International passengers were boosted (FY YTD +16%) by the start of Aeromexico to Guadalajara on July 1, 2017, and domestic passengers increased due to flights by Alaska Airlines to Austin and Tucson which both started in August. The chart below depicts the year-over-year change for the month of August and Fiscal Year-to-Date for the last eight years.

Fiscal year-to-date mail, freight and cargo totaled 20.4 million pounds, which represents a 6.0% increase through August of 2016-2017. Many revenue-generating activities posted increases over the same period of the prior fiscal year: Traffic Operations (landings and takeoffs) by 9.1%, Landed Weights by 13.6%, Gallons of aviation fuel sold by 20.1%, Parking exits by 13.9%, and Ground Transportation (taxicabs & transportation network companies) operations are 43.8% higher than the prior year. The Ground Transportation increase is primarily due to the increase in transportation network companies operations.



While year-to-date revenue primarily reflects just one month of receipts, it is currently expected that revenue will meet projections by year-end.

Through August, both the Airport Customer Facility and Transportation Fee Fund and Airport Maintenance and Operation Fund expenditures tracked below budgeted levels. In the Maintenance and Operation Fund, personal service expenditures were 10.5% of budget compared to the benchmark of 11.5%, while non-personal/equipment expenditures were 6.1% compared to the benchmark of 6.3%. Non-personal/Equipment expenditures in the Customer Facility and Transportation Fee Fund were 8.8% compared to the straightline benchmark of 16.7%.

OTHER FUNDS (CONT'D.)

Construction and Conveyance Tax Funds

Through August 2017, Construction and Conveyance (C&C) Tax receipts are lower than collections experienced through August 2016. Collections through August 2017 totaled \$3.5 million, which is 9.7% of the 2017-2018 Adopted Budget estimate of \$36.0 million. This collection level is 13.5% below the \$4.0 million received through August 2016. However, the City has also received September Conveyance receipts from Santa Clara County, which total \$4.0 million, a 17.5% increase from the \$3.4 million received in September 2016. After accounting for the September Conveyance receipts, the current year C&C revenue is slightly exceeding the same time period in the prior fiscal year.

The 2017-2018 Adopted Capital Budget was developed with the assumption that C&C Tax receipts would total \$38.0 million in 2016-2017 and dip slightly to \$36.0 million in 2017-2018. These assumptions were based on historical collection trends and actual receipts received in 2016-2017, allowing for some moderation in activity levels. In the last quarter of 2016-2017, however, tax receipts had a stronger than expected performance, which resulted in the 2016-2017 receipts totaling \$43.3 million. Due to the unanticipated high collections in 2016-2017, the 2017-2018 C&C Tax estimate of \$36.0 million, allows for a 16.9% decline in tax revenue from the 2016-2017 actual tax collection. Although it is still early in the fiscal year, tax receipts are currently anticipated to meet or exceed the estimate. Due to the volatile nature of this tax revenue, receipts in 2017-2018 will continue to be closely monitored.

Over 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers (sales). Although C&C Tax receipts have experienced declines through August, the local real estate market continues to grow compared to prior year levels. The median single-family home price in August 2017 of \$967,000 is up 11.8% from the August 2016 price of \$865,000. In addition, the August 2017 number of property transfers of 781 has increased 7.28% when compared to the 728 sales that occurred in August 2016. It is also taking more time to sell these homes with the average days-on-market for single-family and multi-family dwellings declining from 26 days in August 2016 to 19 days in August 2017. As previously mentioned, although the local real estate market is performing strongly, C&C receipts have experienced declines through August. Preliminary information regarding September receipts show growth of almost 18%, therefore, the earlier declines may be due to the timing of payments. Housing statistics and C&C collection levels will continue to be closely monitored and if warranted, adjustments to the estimated revenue may be brought forward at a later date.

Other Construction-Related Revenues

Through August, revenues associated with construction activity (primarily Construction Excise Tax and Building and Structure Construction Tax) are tracking significantly lower than receipts in 2016-2017 through the same period. Construction activities drive revenue collection in several categories, including the Construction Excise Tax and the Building and Structure Construction Tax, and are an indicator of future activity for several other categories, such as storm and sanitary

OTHER FUNDS (CONT'D.)

sewer system fees. Following is a discussion on the overall performance of both the Construction Excise and Building and Structure Construction taxes.

- The 2017-2018 revenue estimate for the **Construction Excise Tax** is \$24.0 million, a decrease of \$6.2 million (20.5%) from the extremely high 2016-2017 collection level of \$30.2 million. Receipts through August total \$3.8 million (15.9% of estimated revenue), approximately \$4.1 million below the same period (51.6%) for 2016-2017. The year-to-date activity is lower through August due primarily to lower valuation, particularly for residential new construction, while permit levels are consistent with prior year activity. The 2017-2018 Adopted Capital Budget was developed with the assumption the high Construction Excise Tax collections experienced in 2016-2017 would not be sustainable, therefore, the 2017-2018 estimate allowed for a 20.5% decrease. However, even with the lower budgeted estimate, based on analysis of revenue received year-to-date (including underperforming September receipts), Construction Excise Tax revenue is currently projected to end the year at approximately \$20 million, or \$4 million below the 2017-2018 estimate. This volatile revenue category will continue to be closely monitored throughout the year, and if necessary, a downward budget adjustment may be brought forward at a later date.
- The 2017-2018 revenue estimate for the **Building and Structure Construction Tax** is \$18.0 million, a decrease of \$5.3 million (22.9%) from the extremely high 2016-2017 collection level of \$23.3 million. Receipts through August total \$2.8 million, approximately \$2.9 million below the same period (50.2%) for 2016-2017. The year-to-date activity is lower through August due primarily to lower valuation, particularly for residential new construction, while permit levels are consistent with prior year activity. Similar to the Construction Excise Tax, the 2017-2018 Adopted Capital Budget was developed with the assumption the high Building and Structure Construction Tax collections experienced in 2016-2017 would not be sustainable, therefore, the 2017-2018 estimate allowed for a 22.9% decrease. However, even with the lower budgeted estimate, based on analysis of revenue received year-to-date (including underperforming September receipts), Building and Structure Construction Tax revenue is currently projected to end the year at \$16 million, or \$2 million below the 2017-2018 estimate. This volatile revenue category will continue to be closely monitored throughout the year, and if necessary, a downward budget adjustment may be brought forward at a later date.

October 12, 2017

Subject: Bi-Monthly Financial Report for July/August 2017

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CONCLUSION

Overall, the City's funds appear to be performing within budgeted expectations through August. However, there are some revenues, such as the Building and Structure Construction Tax and Construction Excise Tax, that are tracking below expected levels and will be closely monitored to determine if budget adjustments are necessary during 2017-2018. Expenditures are generally tracking within budgeted levels through August. Given that a General Fund shortfall is currently projected for 2018-2019, cost control measures are being implemented in 2017-2018 to generate General Fund savings that can be used as part of the budget balancing strategy next year.

As always, staff will continue to report to the City Council any and all significant developments through this and other budget reporting processes.



JENNIFER A. MAGUIRE
Senior Deputy City Manager/
Budget Director



FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the Month Ended August 31, 2017
Fiscal Year 2017-2018
(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended August 31, 2017
Fiscal Year 2017-2018
(UNAUDITED)

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Finance Department, City of San José
Monthly Financial Report
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(UNAUDITED)

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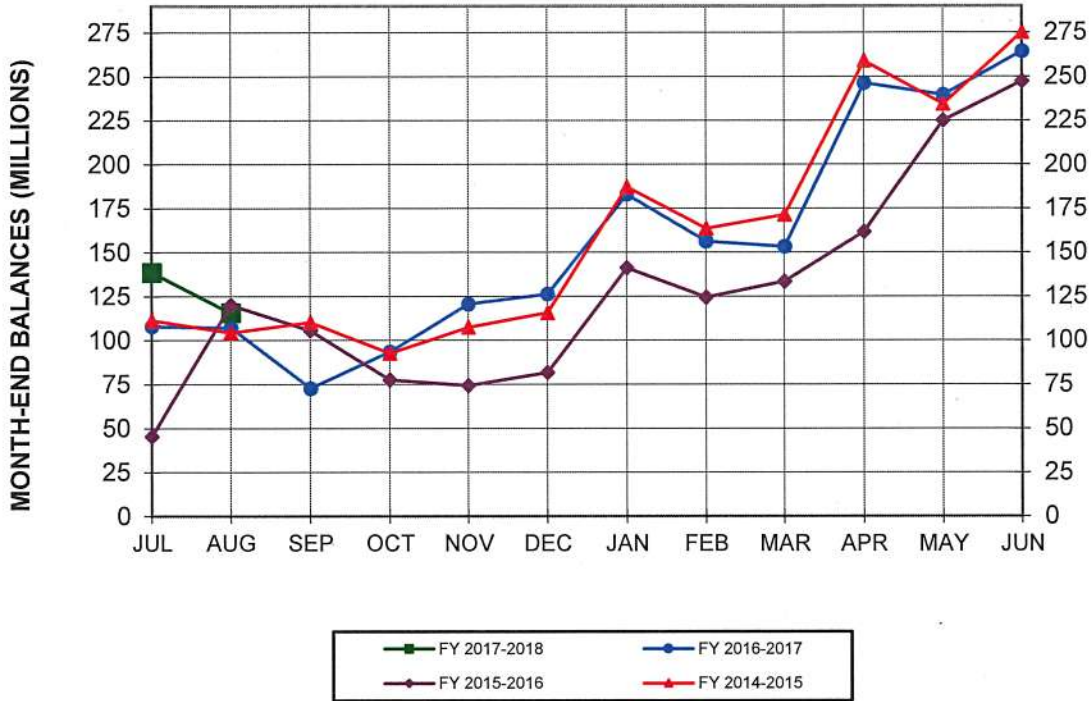
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Submitted by:



JULIA H. COOPER
Director, Finance Department

GENERAL FUND
Comparison of Cash Balances vs. Prior Year's Balance

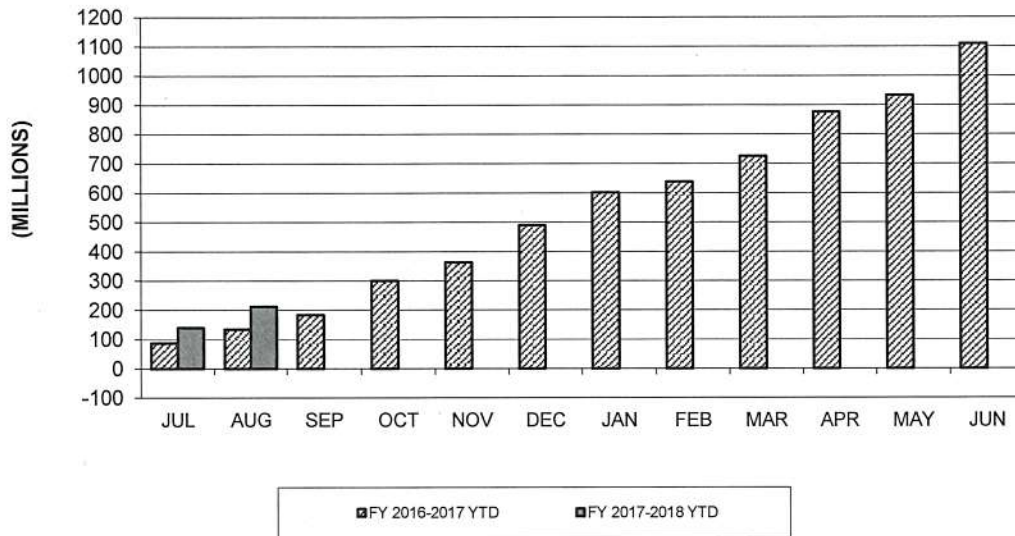


GENERAL FUND MONTHLY CASH BALANCES

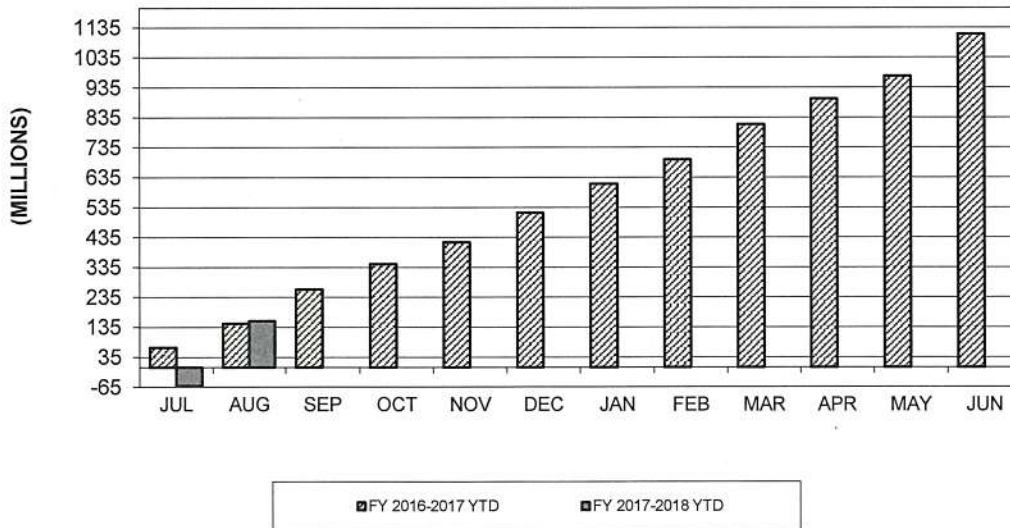
MONTH	FY 2017-2018	FY 2016-2017	FY 2015-2016	FY 2014-2015
JULY (1)	\$ 138,576,379	\$ 45,401,908	\$ 111,318,585	\$ 97,000,280
AUGUST	115,540,880	119,988,835	104,337,113	87,887,607
SEPTEMBER	-	105,422,447	110,248,937	91,326,643
OCTOBER	-	77,571,562	92,649,862	99,449,689
NOVEMBER	-	74,153,007	107,339,933	86,285,372
DECEMBER	-	81,796,424	115,544,081	102,057,315
JANUARY	-	141,189,103	187,078,566	189,299,222
FEBRUARY	-	124,444,495	163,468,559	143,098,965
MARCH	-	133,493,608	171,379,481	131,881,129
APRIL (2)	-	161,690,247	258,939,637	175,838,186
MAY	-	224,983,657	234,171,050	230,678,939
JUNE	-	247,092,735	274,909,173	249,043,058

- (1) The General Fund cash balance decreases each July mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.
- (2) The General Fund cash balance increases in April or May of every year mainly due to the receipt of the second annual installment of property taxes from Santa Clara County.

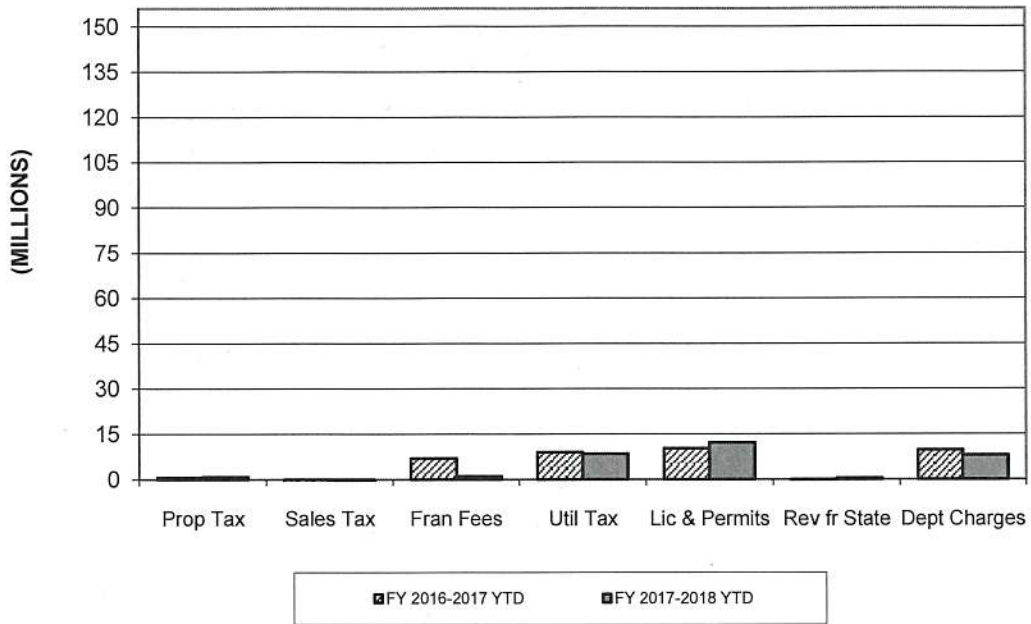
GENERAL FUND
Comparison of YTD Revenues vs. Prior YTD Revenues
Actual



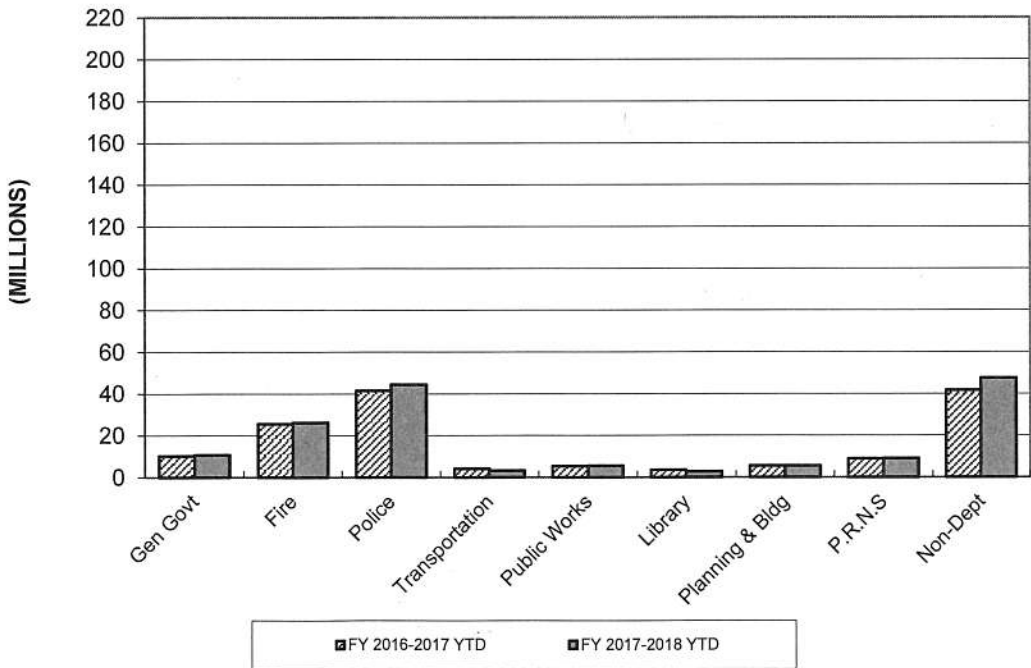
GENERAL FUND
Comparison of YTD Expenditures vs. Prior YTD Expenditures
Actual



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE MONTHS ENDED AUGUST 31, 2017
(UNAUDITED)
(\$'000's)

	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	48,953	48,953	48,953	100.00%	39,417	105.12%	37,497	9,536	24.19%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	217,204	-	-	217,204	217,204	100.00%	249,108	97.61%	255,206	(31,904)	-12.81%
Total Fund Balance	217,204	-	48,953	266,157	266,157	100.00%	288,525	98.57%	292,703	(22,368)	-7.75%
General Revenues											
Property Tax	288,990	-	-	288,990	773	0.27%	576	0.21%	276,388	197	34.20%
Sales Tax (1)	228,000	-	-	228,000	(855)	-0.38%	(4,446)	-2.14%	207,695	3,591	-80.77%
Telephone Line Tax	20,000	-	-	20,000	1,657	8.29%	2,421	11.95%	20,260	(764)	-31.56%
Transient Occupancy Tax	18,720	-	-	18,720	1,379	7.37%	1,980	10.83%	18,275	(601)	-30.35%
Franchise Fees	50,813	-	-	50,813	998	1.96%	6,914	13.93%	49,642	(5,916)	-85.57%
Utility Tax	101,320	-	-	101,320	8,447	8.34%	9,001	8.93%	100,786	(554)	-6.15%
Business Taxes	63,300	-	-	63,300	9,596	15.16%	6,896	12.73%	54,159	2,700	39.15%
Licenses and Permits	59,778	-	-	59,778	12,108	20.25%	10,270	17.68%	58,075	1,838	17.90%
Fines, Forfeits and Penalties	15,336	-	-	15,336	1,162	7.58%	1,776	10.87%	16,345	(614)	-34.57%
Use of Money and Property	5,640	-	-	5,640	847	15.02%	878	12.94%	6,787	(31)	-3.53%
Revenue from Local Agencies	26,040	350	-	26,390	135	0.51%	519	1.87%	27,717	(384)	-73.99%
Revenue from State of Cal.	12,962	-	-	12,962	414	3.19%	(69)	-0.50%	13,906	483	-700.00%
Revenue from Federal Government	2,792	-	-	2,792	(7)	-0.25%	(21)	-0.48%	4,394	14	-66.67%
Fees, Rates and Charges	48,499	-	-	48,499	8,042	16.58%	9,683	21.58%	44,864	(1,641)	-16.95%
Other Revenues	28,829	150,200	-	179,029	156,761	87.56%	107,317	90.63%	118,408	49,444	46.07%
Total General Revenues	971,019	150,550	-	1,121,569	201,457	17.96%	153,695	15.10%	1,017,701	47,762	31.08%
Transfers & Reimbursements											
Overhead Reimbursements	-	-	-	-	-	#DIV/0!	1,546	3.94%	39,248	(1,546)	-100.00%
Transfers from Other Funds	88,429	-	-	88,429	4,923	5.57%	105	0.31%	33,354	4,818	4588.57%
Reimbursements for Services	-	-	-	-	3,512	#DIV/0!	1,603	8.93%	17,958	1,909	119.09%
Total Transfers & Reimburse	88,429	-	-	88,429	8,435	9.54%	3,254	3.59%	90,560	5,181	159.22%
Total Sources	1,276,652	150,550	48,953	1,476,155	476,049	32.25%	445,474	31.80%	1,400,963	30,575	6.86%

(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE MONTHS ENDED AUGUST 31, 2017
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL (*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR			LESS PRIOR YTD
	BUDGET	AMENDMENTS		BUDGET	ACTUAL (*)	ENCUMBR	OF BUDGET	ACTUAL (1)(*)	YEAR-END			ACTUAL (1)
General Government												
Mayor and Council	14,017	-	170	14,187	1,381	133	9.73%	1,287	11.56%	11,137	94	7.30%
City Attorney	14,795	-	754	15,549	1,825	785	11.74%	1,607	11.08%	14,507	218	13.57%
City Auditor	2,454	-	-	2,454	280	13	11.41%	247	11.24%	2,197	33	13.36%
City Clerk	2,878	-	4	2,882	272	2	9.44%	301	13.10%	2,298	(29)	-9.63%
City Manager	15,617	200	1,326	17,143	1,756	1,808	10.24%	1,743	11.87%	14,679	13	0.75%
Finance	16,052	-	533	16,585	1,812	863	10.93%	1,778	11.55%	15,395	34	1.91%
Information Technology	21,138	-	1,494	22,632	1,860	1,888	8.22%	1,796	9.70%	18,518	64	3.56%
Human Resources	8,877	-	203	9,080	851	3,170	9.37%	851	10.65%	7,989	-	0.00%
Independent Police Auditor	1,346	-	8	1,354	116	2	8.57%	166	13.76%	1,206	(50)	-30.12%
Office of Economic Development	5,711	-	576	6,287	565	548	8.99%	520	8.80%	5,907	45	8.65%
Total General Government	102,885	200	5,068	108,153	10,718	9,212	9.91%	10,296	10.97%	93,833	422	4.10%
Public Safety												
Fire	219,215	-	1,099	220,314	26,231	1,899	11.91%	25,627	12.72%	201,539	604	2.36%
Police	382,041	-	1,647	383,688	44,360	3,999	11.56%	41,471	11.99%	345,924	2,889	6.97%
Total Public Safety	601,256	-	2,746	604,002	70,591	5,898	11.69%	67,098	12.26%	547,463	3,493	5.21%
Capital Maintenance												
Transportation	35,326	-	693	36,019	3,195	1,974	8.87%	4,098	13.56%	30,217	(903)	-22.04%
Public Works	43,878	-	943	44,821	5,519	2,494	12.31%	5,322	12.25%	43,440	197	3.70%
Total Capital Maintenance	79,204	-	1,636	80,840	8,714	4,468	10.78%	9,420	12.79%	73,657	(706)	-7.49%
Community Service												
Housing	830	-	64	894	32	64	3.58%	29	4.45%	651	3	10.34%
Library	32,488	-	157	32,645	2,758	725	8.45%	3,604	12.16%	29,626	(846)	-23.47%
Planning, Bldg & Code Enf.	54,487	-	2,691	57,178	5,654	2,519	9.89%	5,477	11.30%	48,453	177	3.23%
Parks, Rec & Neigh Svcs	75,570	-	751	76,321	8,986	2,448	11.77%	8,889	12.60%	70,552	97	1.09%
Environmental Services	2,748	-	96	2,844	277	998	9.74%	107	7.62%	1,404	170	158.88%
Total Community Services	166,123	-	3,759	169,882	17,707	6,754	10.42%	18,106	12.02%	150,686	(399)	-2.20%
Total Dept. Expenditures	949,468	200	13,209	962,877	107,730	26,332	11.19%	104,920	12.12%	865,639	2,810	2.68%

(1) Does not include encumbrance balance.

(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE MONTHS ENDED AUGUST 31, 2017
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS PRIOR YTD ACTUAL (1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL (*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR			
	BUDGET	AMENDMENTS		BUDGET	ENCUMBR	ENCUMBR	OF BUDGET	ACTUAL (1)(*)	YEAR-END ACTUAL			
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	31,501	-	6,682	38,183	3,613	11,573	9.46%	2,963	7.82%	37,893	650	21.94%
Environmental & Utility Services	1,585	350	299	2,234	91	975	4.07%	(4)	-0.21%	1,947	95	-2375.00%
Public Safety	19,425	-	357	19,782	4,177	765	21.12%	2,505	14.09%	17,776	1,672	66.75%
Recreation & Cultural Services	10,022	-	611	10,633	337	751	3.17%	708	7.57%	9,356	(371)	-52.40%
Transportation Services	3,550	-	20	3,570	37	95	1.04%	964	15.24%	6,325	(927)	-96.16%
Strategic Support	51,783	150,000	3,895	205,678	3,732	4,036	1.81%	2,787	1.94%	143,846	945	33.91%
Total City-wide Expenditures	117,866	150,350	11,864	280,080	11,987	18,195	4.28%	9,923	4.57%	217,143	2,064	20.80%
Other Non-Dept Expenditures:												
Capital Improvements	41,739	-	23,880	65,619	3,006	21,277	4.58%	3,697	7.50%	49,301	(691)	-18.69%
Transfers to Other Funds	32,445	-	-	32,445	32,445	-	100.00%	28,012	99.80%	28,068	4,433	15.83%
Total Non-Dept Expenditures	192,050	150,350	35,744	378,144	47,438	39,472	12.54%	41,632	14.14%	294,512	5,806	13.95%
Reserves												
Contingency Reserve	36,000	-	-	36,000	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	99,134	-	-	99,134	-	-	0.00%	-	0.00%	3	-	0.00%
Total Reserves	135,134	-	-	135,134	-	-	0.00%	-	0.00%	3	-	0.00%
Total Uses	1,276,652	150,550	48,953	1,476,155	155,168	65,804	10.51%	146,552	12.63%	1,160,154	8,616	5.88%

(1) Does not include encumbrance balance.

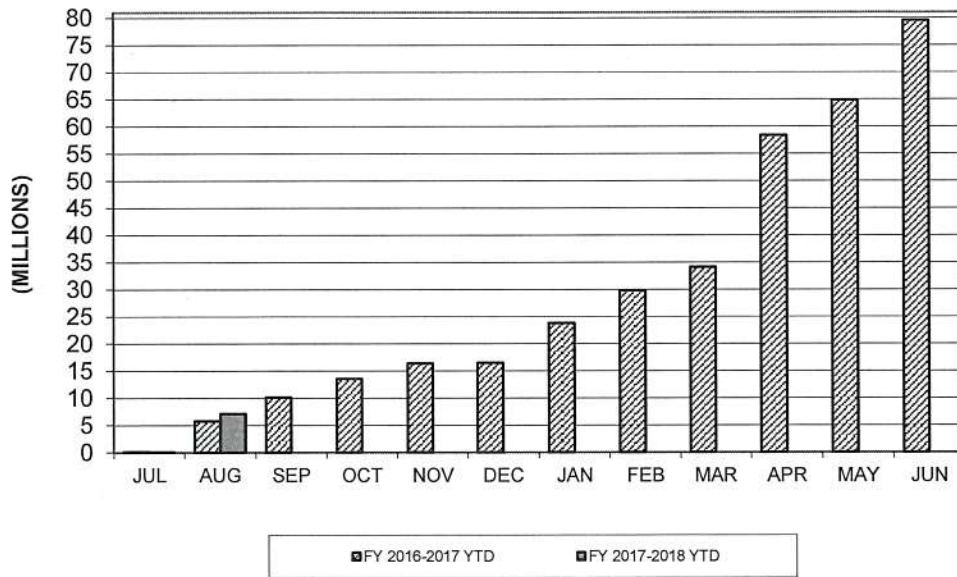
(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED AUGUST 31, 2017
SUPPLEMENTAL SCHEDULE - FEES, RATES AND CHARGES
(UNAUDITED)
(\$000's)

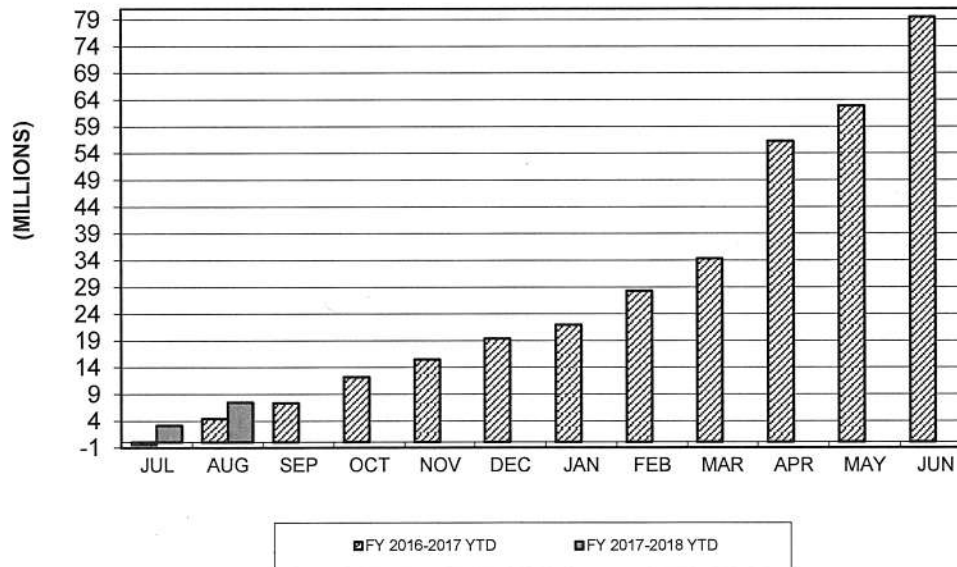
	ADOPTED FY 2017-2018 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2017-2018 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	1,373	-	-	1,373	252	18.35%	187	15.51%	1,206	65	34.76%
Public Works	11,585	-	-	11,585	1,521	13.13%	1,870	17.13%	10,914	(349)	-18.66%
Transportation	1,675	-	-	1,675	154	9.19%	293	18.37%	1,595	(139)	-47.44%
Library	775	-	-	775	(52)	-6.71%	(41)	-6.31%	650	(11)	26.83%
Planning, Bldg & Code Enf	7,730	-	-	7,730	944	12.21%	782	17.58%	4,448	162	20.72%
Parks Rec & Neigh Svcs	21,748	-	-	21,748	5,437	25.00%	5,693	27.16%	20,958	(256)	-4.50%
Miscellaneous Dept Charges	3,613	-	-	3,613	(214)	-5.92%	899	17.65%	5,093	(1,113)	-123.80%
Total Departmental Revenues	48,499	-	-	48,499	8,042	16.58%	9,683	21.58%	44,864	(1,641)	-16.95%

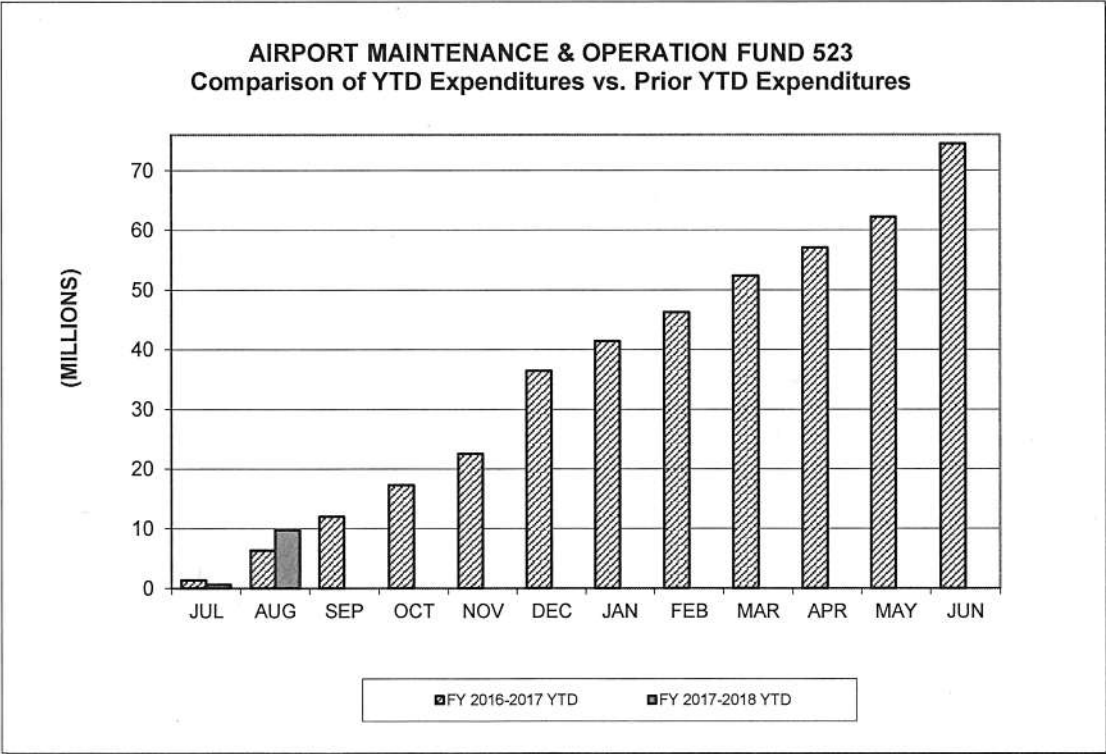
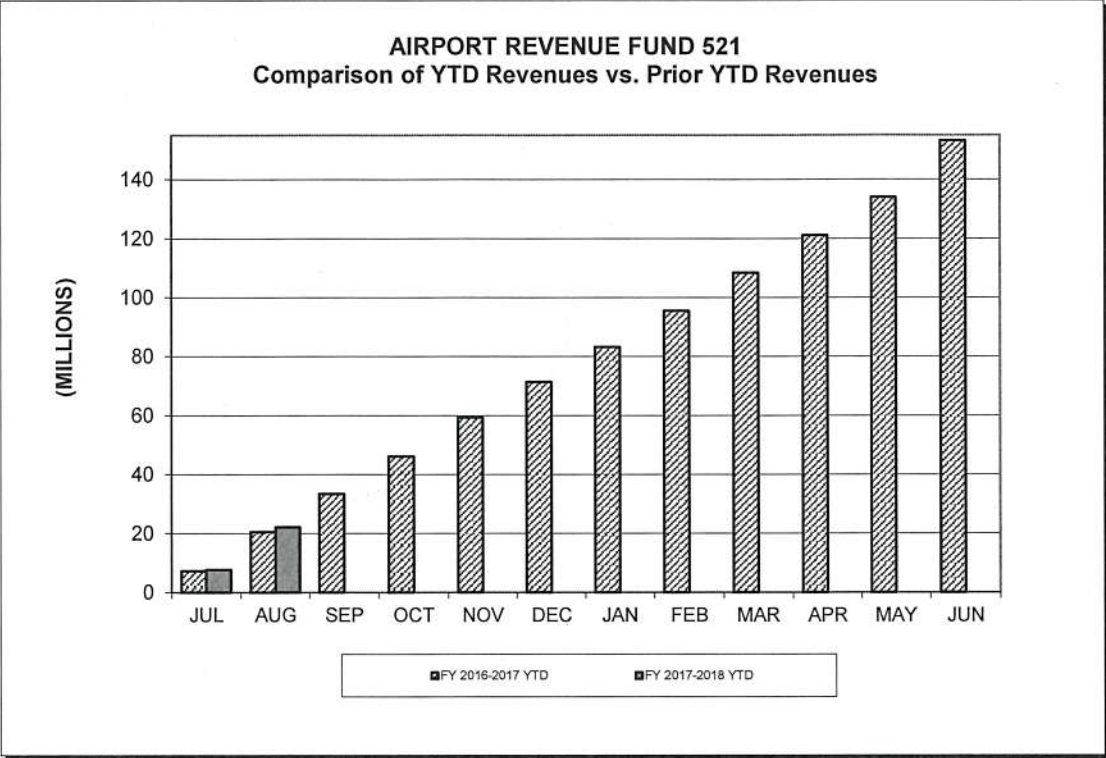
(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues vs. Prior YTD Revenues

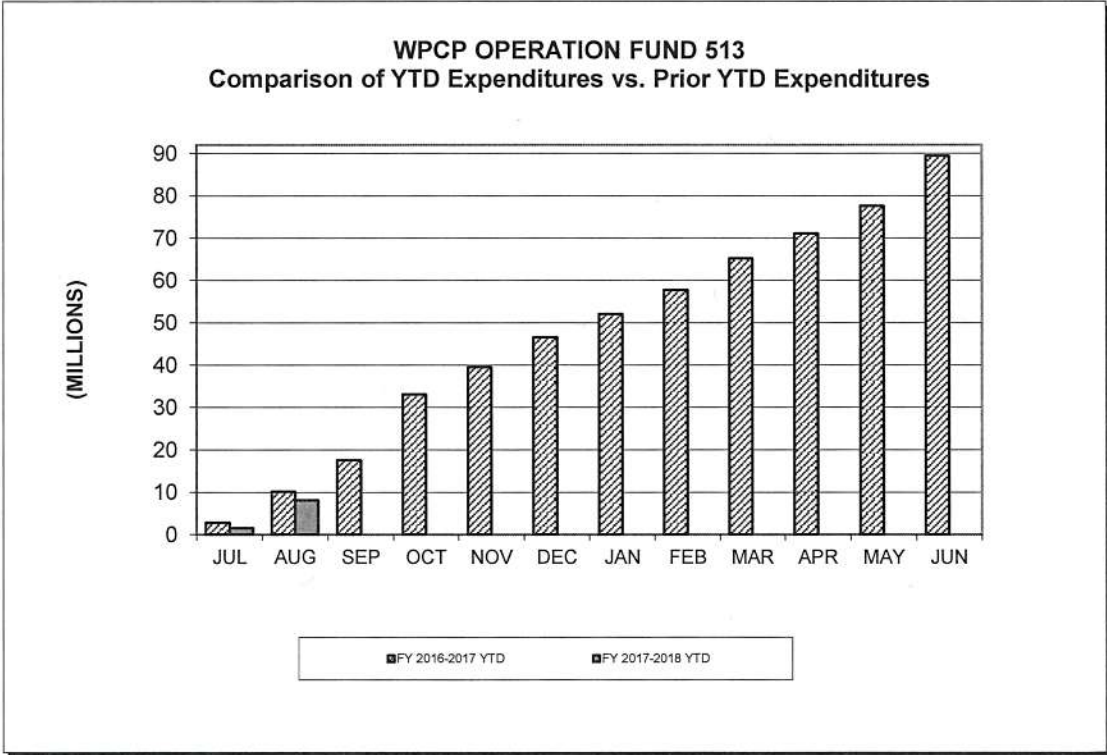
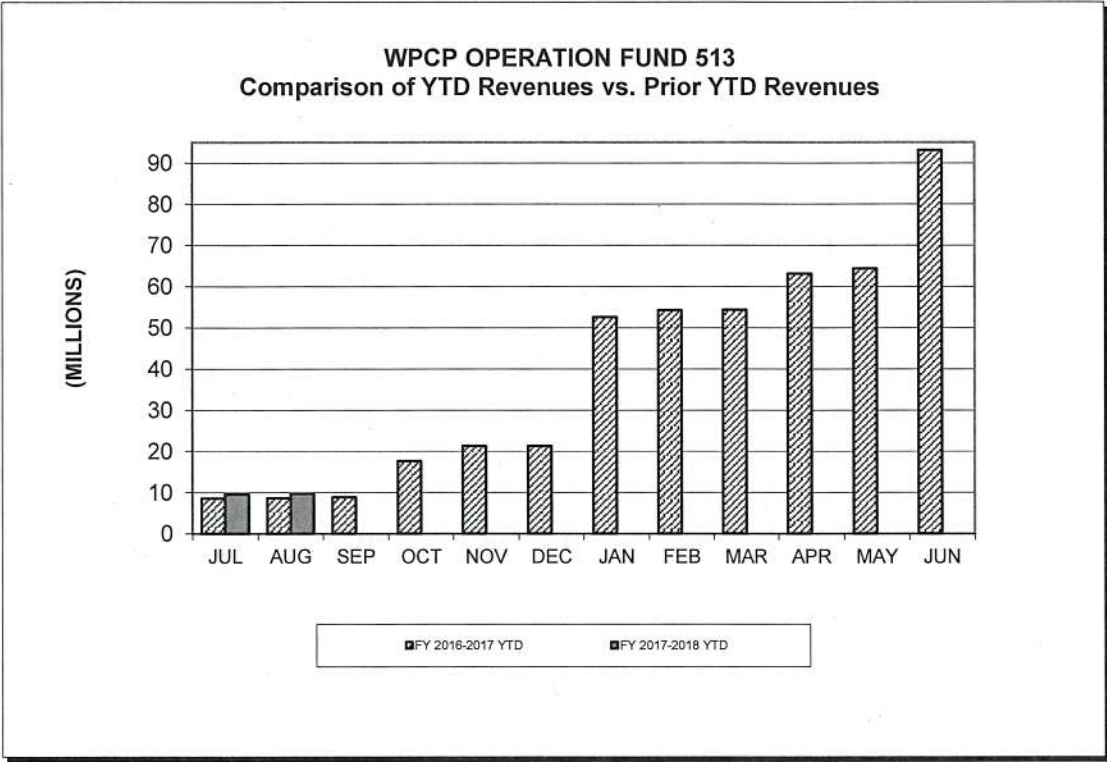


CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures vs. Prior YTD Expenditures



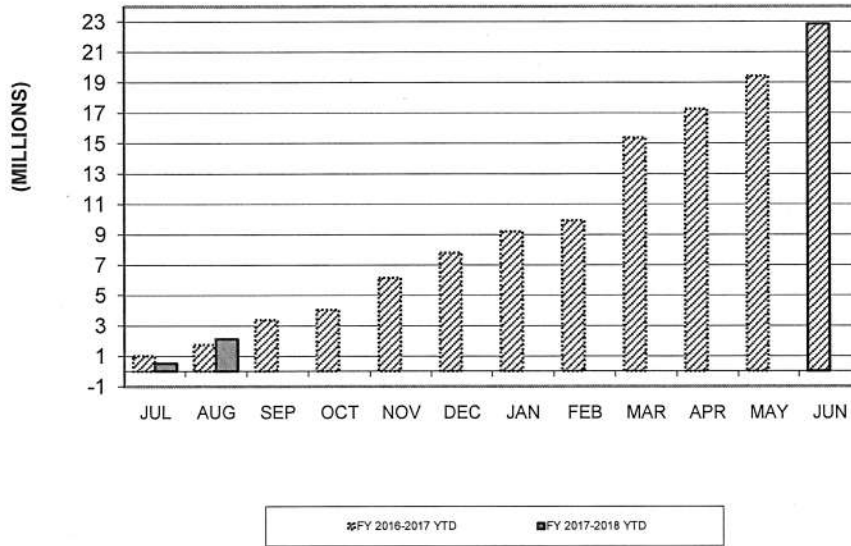


Note: The graphs above include the Airport Revenue Fund (521) and Airport Maintenance & Operation fund (523) only.

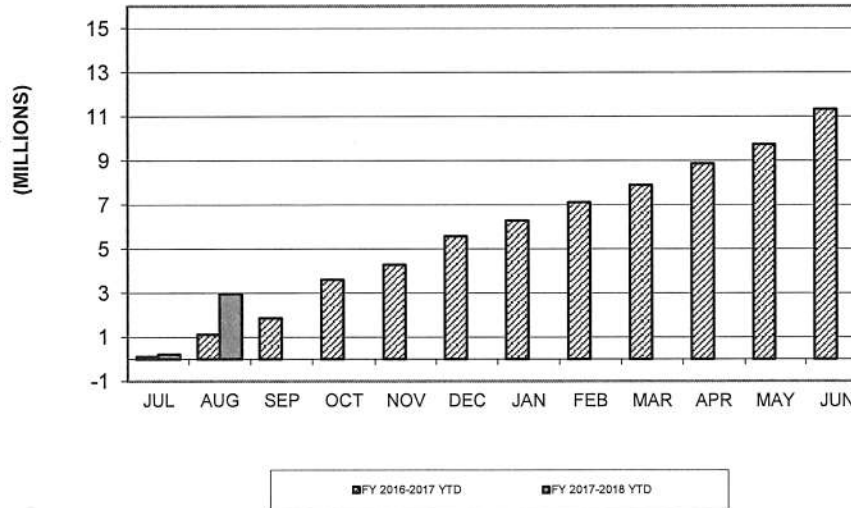


Note: The graphs above are only for the WPCP Operation Fund (513).

GENERAL PURPOSE PARKING FUND 533
Comparison of YTD Revenues vs. Prior YTD Revenues



GENERAL PURPOSE PARKING FUND 533
Comparison of YTD Expenditures vs. Prior YTD Expenditures



Note: The graphs above are only for the General Purpose Parking Fund (533).

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED AUGUST 31, 2017
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	11,846	11,846	11,846	-	6,392
Beginning Fund Balance	70,197	51	-	70,248	70,248	-	73,084
Revenues	49,355	-	-	49,355	7,088	-	5,801
Total Sources	119,552	51	11,846	131,449	89,182	-	85,277
Total Uses	119,552	51	11,846	131,449	7,429	10,040	4,416
Airport							
Prior Year Encumbrance	-	-	20,372	20,372	20,372	-	20,497
Beginning Fund Balance	266,405	670	-	267,075	267,075	-	279,474
Revenues	460,128	-	-	460,128	22,467	-	22,872
Total Sources	726,533	670	20,372	747,575	309,914	-	322,843
Total Uses	726,533	670	20,372	747,575	22,104	30,057	18,523
Waste Water Treatment							
Prior Year Encumbrance	-	-	196,863	196,863	196,863	-	193,468
Beginning Fund Balance	200,202	-	-	200,202	200,202	-	199,636
Revenues	462,916	-	-	462,916	168,119	-	162,134
Total Sources	663,118	-	196,863	859,981	565,184	-	555,238
Total Uses	663,118	-	196,863	859,981	23,987	210,571	27,337
Parking							
Prior Year Encumbrance	-	-	3,311	3,311	3,311	-	941
Beginning Fund Balance	22,153	-	-	22,153	22,153	-	16,354
Revenues	16,731	-	-	16,731	2,099	-	1,754
Total Sources	38,884	-	3,311	42,195	27,563	-	19,049
Total Uses	38,884	-	3,311	42,195	2,964	7,830	1,117
Municipal Water							
Prior Year Encumbrance	-	-	4,090	4,090	4,090	-	5,815
Beginning Fund Balance	17,170	60	-	17,230	17,230	-	20,143
Revenues	52,109	-	-	52,109	8,298	-	10,089
Total Sources	69,279	60	4,090	73,429	29,618	-	36,047
Total Uses	69,279	60	4,090	73,429	7,190	5,209	6,546

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED AUGUST 31, 2017
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD		REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET	C/O	FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Gas Tax							
Revenues	17,300	-	-	17,300	1,408	-	1,603
Total Sources	17,300	-	-	17,300	1,408	-	1,603
Total Uses	17,300	-	-	17,300	20	-	1,603
Building and Structures							
Prior Year Encumbrance	-	-	10,855	10,855	10,855	-	7,145
Beginning Fund Balance	39,882	-	-	39,882	39,882	-	36,691
Revenues	31,421	-	-	31,421	3,381	-	5,755
Total Sources	71,303	-	10,855	82,158	54,118	-	49,591
Total Uses	71,303	-	10,855	82,158	2,098	11,063	1,670
Residential Construction							
Beginning Fund Balance	1,801	-	-	1,801	1,801	-	1,618
Revenues	217	-	-	217	48	-	68
Total Sources	2,018	-	-	2,018	1,849	-	1,686
Total Uses	2,018	-	-	2,018	2	-	1
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	655	655	655	-	503
Beginning Fund Balance	5,094	-	-	5,094	5,094	-	3,914
Revenues	28,101	-	-	28,101	1,718	-	2,893
Total Sources	33,195	-	655	33,850	7,467	-	7,310
Total Uses	33,195	-	655	33,850	4,956	7,299	3,391
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	2,696	2,696	2,696	-	199
Beginning Fund Balance	12,337	-	-	12,337	12,337	-	8,630
Revenues	14,705	-	-	14,705	55	-	6
Total Sources	27,042	-	2,696	29,738	15,088	-	8,835
Total Uses	27,042	-	2,696	29,738	3,222	6,847	(79)

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED AUGUST 31, 2017
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD		REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET	C/O	FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Golf							
Beginning Fund Balance	182	-	-	182	182	-	587
Revenues	3,220	-	-	3,220	2,912	-	2,321
Total Sources	3,402	-	6	3,408	3,100	-	2,908
Total Uses	3,402	-	6	3,408	1,604	6	1,524
Other Funds							
Prior Year Encumbrance	-	-	42,432	42,432	42,432	-	36,812
Beginning Fund Balance	320,874	948	-	321,822	321,822	-	307,132
Revenues	392,768	345	-	393,113	165,476	-	154,486
Total Sources	713,642	1,293	42,432	757,367	529,730	-	498,430
Total Uses	713,642	1,293	42,432	757,367	35,891	175,681	33,479

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED AUGUST 31, 2017
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Construction Excise							
Prior Year Encumbrance	-	-	25,801	25,801	25,801	-	32,198
Beginning Fund Balance	76,720	10	-	76,730	76,730	-	55,776
Revenues	83,693	2,217	-	85,910	7,164	-	18,020
Total Sources	160,413	2,227	25,801	188,441	109,695	-	105,994
Total Uses	160,413	2,227	25,801	188,441	6,748	24,763	7,967
Other							
Prior Year Encumbrance	-	-	581	581	581	-	2,034
Beginning Fund Balance	28,513	-	-	28,513	28,513	-	19,798
Revenues	9,583	-	-	9,583	296	-	395
Total Sources	38,096	-	581	38,677	29,390	-	22,227
Total Uses	38,096	-	581	38,677	40	566	133

CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED AUGUST 31, 2017
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2017-2018	BUDGET		FY 2017-2018	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Trust and Agency							
Prior Year Encumbrance	-	-	39	39	39	-	87
Beginning Fund Balance	5,151	-	-	5,151	5,151	-	8,122
Revenues	1,644	-	-	1,644	1,665	-	1,562
Total Sources	6,795	-	39	6,834	6,855	-	9,771
Total Uses	6,795	-	39	6,834	204	68	155